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# **Flexicurity, Casualisation and Informalisation of Global Labour Markets**

**Johannes Dragsbaek Schmidt**

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# **Flexicurity, Casualisation and Informalisation of Global Labour Markets<sup>1</sup>**

Johannes Dragsbaek Schmidt<sup>2</sup>

“The fact is that these workers, indeed, are productive, as far as they increase the capital of their master; unproductive as to the material result of their labour. In fact, of course, this ‘productive’ worker cares as much about the crappy shit he has to make as does the capitalist himself who employs him, and who also couldn’t give a damn for the junk. But, looked at more precisely, it turns out in fact that a true definition of a productive worker consists in this: A person who needs and demands exactly as much as, and no more than, is required to enable him to gain the greatest possible benefit for his capitalist.”

Karl Marx<sup>3</sup>

## **Introduction**

This paper attempts to examine how global restructuring has impacted labour markets in the North and the South. The point of departure is that although the discourse on globalisation has enshrined workfare as a new socio-economic objective for capitalist societies, the results of this strategy have left much to be desired. In fact, globalisation has had a huge impact on the increase of unemployment and the de-regulation of labour markets which is interpreted as a move towards varieties of flexibility with a concomitant removal of worker protection, lowering of social protection and weakening of labour unions. Sociologically speaking this implies a loss of social cohesion and individualisation of human security and a collapse of stable social structures and traditional institutions in both North and South.

What we are witnessing is a change of work arrangements in the North with an accompanying loss of the social relevance of the work place and of labour-based social organisations. Another measure is the extent of so-called “a-typical” work such as part time employment and fixed term contracts. The new phase in capitalism encapsulated in the term globalisation is associated with the rise of new concepts such as ‘post-industrialisation’, ‘risk society’, ‘network society’, and ‘information society’ all of which draw upon the changing nature of work and labour markets and in some cases it has lead to degrees of flexicurity.

In the South casual work is the price paid for the introduction of flexibility by the IFIs, TNCs and local governments. A related impact is that trade unions have lost bargaining power and a continuation of the neo-liberal thrust towards reduced protective regulation is seemingly the result. De-regulation and the withdrawal of the state have contributed to the creation of a new reserve-army of unemployed workers and a new trend towards informalisation of labour markets.

The paper is divided into five parts. The first part briefly explores the impact of globalisation on redistribution strategies; part two takes a closer look at the relationship between the so-called labour market flexibility and the 'race-to-the-bottom'; part three is devoted to the impact of globalisation in the North; part four on the impact in the South. The final part looks at some instances of resistance against neo-liberal globalisation and concluding reflections are offered.

### **Situating the shift to workfare theoretically**

Globalisation is currently the catchphrase of our times. In its neo-liberal conceptualisation as both project, process and outcome it denotes the economic layer of juridical and political deregulation, social flexibilisation and economic liberalisation. It is based on the thinking of neo-classical economic orthodoxy and inextricably linked to the liberalisation of commodity-, labour- and capital markets.<sup>4</sup> In the neo-classical variant globalisation in the labour market is seen as qualitatively different from globalisation in goods/asset markets. Ideally speaking, according to this school of economics, the factor of production (labour services) crosses national boundaries embodied in individuals - denoted as international migration (Chiswick and Hatton 2003: 65; Bordo, Taylor, and Williamson 2003). This implies that four distinctly different types of labour have emerged: manual, intellectual, managerial and refugee labour (Castles and Miller 1998).

In reality, the neo-classical variant of globalisation creates a benign picture of the impact of economic liberalisation and deregulation where conflicts and contradictions disappear and the concomitant policy prescriptions follow natural laws. It represents globalisation as actively decoupling the firm from its relationship with state and society, rendering it 'footloose' and infinitely mobile. However, neo-liberal forms of discipline are indeed bureaucratised and institutionalised, and operate with different degrees of intensity across a range of 'public' and 'private' spheres, in various state and civil society complexes (Gill

2003: 131). The state itself has become an active proponent of privatisation and deregulative measures of labour markets in the promotion of what in essence is capital accumulation. Furthermore, and notwithstanding its pseudo claims to scientific objectivity, neo-classical theory “purports to describe international economic relations on the basis of comparative advantage among nations endowed with equal bargaining power. It is a model in which the reality of profits, power and exploitation is expunged” (Clairmont 1996: 35). This line of thinking is based on an intellectual and ideological hegemony of the North and its linked intellectual dependency of the South (Gosovic 2000)<sup>5</sup> with grave consequences for the developing countries.

Globalisation has been an integral part of capitalist development since its very beginning. “The accumulation of capital has always been a profoundly geographical and spatial affair. Without the possibilities inherent in geographical expansion, spatial reorganization, and uneven geographical development, capitalism would long ago have ceased to function as a political-economic system” (Harvey 2000: 20, 24-25).<sup>6</sup> This means that it can be interpreted as the empowerment of capital relative to labour and the intensification of social relations so that local happenings are shaped by events occurring many miles away, and vice versa. Harvey reminds us that capitalism is under the impulsion to accelerate turnover time, to speed up the circulation of capital, and, consequently to revolutionise the time horizon of development. Secondly, capitalism is under the impulsion to eliminate all spatial barriers, to “annihilate space through time” as Marx puts it, but it can only do so through the production of fixed space. Coupled with the deregulation of finance, and the twin information revolution cum monopolisation of media power, and finally the reduction of cost and time of moving commodities and people or “overcoming space”, as Harvey notes, have altogether created immense contradictions and a potential backlash to globalisation which seems to be appearing in the horizon. According to these tendencies, wider spaces for private profit maximisation strategies are created and thus exploited by economic actors on a world-wide scale. It is now possible to avoid the expensive time-consuming regulations belonging to the shield of social protection which traditionally guarantees human and/or socio-economic security. “Globalization, therefore, can also be interpreted as a transition into a state of less security, more instabilities and therefore an increased need for people to protect themselves against the destabilizing consequences of global processes on a local scale. Some actors are able to exploit the situation of insecurity for their private well-being and profit so that they are better off in the time of globalization than before. They

belong to the winners. On the other hand, there are many peoples across the world who belong to the exploited and therefore form the great majority of globalization losers. The traditional class structure and social cleavages are now reflected on a global scale. Globalization, therefore, means inclusion for some into the wealth-creating global process and exclusion of others who are not capable of participating in the gratifications of wealth- production” (Altvater 2004: 169-170).

This perspective is grounded in a materialist international political economy approach but adds an ideational and relational perspective to the understanding of globalisation as “a set of complex, contradictory processes in which gender, race, ethnicity, and class play an important role” (Marchand and Runyan 2000: 11). Coupled to this notion, globalisation itself tends to reinforce and exacerbate existing inequalities, including gender, but is also embedded in a highly gendered and uneven discourse. For instance, in “neo-liberal discourse on globalization, the state is typically “feminized” in relation to the more robust market by being represented as a drag on the global economy that must be subordinated and minimized” (Marchand and Runyan 2000: 14).

Globalisation then is a process where market mechanisms increasingly transform various types of politically and collectively decided regulations with new ones catering to specific economic interests. This implies increasing levels of privatisation, monetary liberalisation, reductions in tariffs, labour market flexibilisation and fiscal discipline. The impact of these neo-liberal approaches and policies opens up for competition between workers and the prospects of ‘downward levelling’ in wages and work conditions (Southall and Bezuidenhout 2004: 128). International labour competition is not a new phenomenon but has changed its form and become more intensive in tandem with the internationalisation of capital and production. “First, international competition is now more direct because it occurs through actual job substitution; second, it is now also more extreme in that the workers involved have greater disparities in their wages, employment standards and political rights.” (Winthers 1996 cf Hutchison and Brown: 2001: 15). The point is that earlier while competition between workers in the North saw labour gains through productivity-based bargaining, the latest version of globalisation produces a ‘race to the bottom’ for wages, working conditions and organising capacities.

With the new discourse of neo-liberalism, capitalism has been transformed from one of praise for the most productive period of human history to one of blaming

the dirigisme of both Keynesian (welfare statist) and Listian (economic nationalist) macro-economics (Schmidt and Hersh forthcoming). The result has been the dismantlement of the so-called European social model and a transformation of the developmental state in East Asia. Although a convergence in social policy terms is emerging there are also important differences between various institutions and actors in the global economy as well as new types of social resistances to these changes.

### **Labour market flexibility and the ‘race to the bottom’**

In the mainstream neoclassical economic theory labour markets are universal, ahistorical and asocial. This is demonstrated by Fine who notes that, to be “... *unemployed*, it is necessary to acknowledge that capitalist employment is the predominant form taken by work or labour, that a wage system is involved. In other words, we need to know what is different about the labour market in historical and social terms as well as by comparison with other commodities that do not experience chronic unemployment (a term that is used with extreme reluctance when describing markets other than labour)” (2003: 83-84). Their theories promise affluence, liberation of the individual, time for leisure and joy but the reality proves different. One of the main proponents of neo-classical globalisation admits that, “...wages of low-skill workers will fall in markets that face cheap imports. Second, that economic insecurity will increase for almost everyone: As economic change speeds up, nobody has a job for life. Third, the patterns of existing income support and other forms of subsidy will become more explicit and therefore harder to sustain... Fears one through three...have some basis in reality” (Crook 2003: 550). In this mode, labour becomes a commodity and less a production factor and in a Marxian sense both production and consumption is marked by alienation. Thus labour power employed by capital is the source of value (and surplus value) (Fine 2003: 87). The theory clearly has a strong flaw of ideology and other factors, euphemistically termed ‘externalities’ such as flexible labour markets and a constant search for increase of labour productivity.

One of the buzzwords is the term flexibility which encompasses almost all spheres of social organisation in both North and South. “It is presented as synonymous with deregulatory government, lean production and the flexible firm, the decollectivization of industrial relations and the overall dissolution of work and employment into a fluid and transient form” (Amoore 2002: 23-29).<sup>7</sup> Following



this thinking there are two problems in this discourse. It omits the social relations and masks the political power and social contests that surrounds the restructuring of work. It means that there is no acknowledgement of the constitution of market forces and technological development by the social forces engendered by the production process in specific places and at specific historical moments. It also provides a disciplinary ethos and concrete strategies for adjusting to and coping with globalisation.

The term itself serves to constrain political and social debate about the restructuring of work and labour markets as it imposes the view that there is no alternative. The resulting impact of globalisation and flexibility is obviously that all social change will conform and converge. A 'race to the bottom' seems to be implied by this approach as it calls for a decrease in regulation levels of labour relations, but also seek to exert a downward pressure on welfare and social benefits that are presumed to 'inhibit' the incentive to work.<sup>8</sup>

These contradictory processes and the downward levelling of regulations are closely linked to the liberalisation of international trade and integration of world markets. Lowering economic barriers has opened enormous opportunities for transnational corporations with a dramatic increase in mergers and acquisitions across borders rising tenfold between 1988 and 2000. Since 1998, 103 countries have offered concessions to foreign TNCs such as tax holidays, direct subsidies and special exemptions on import duties.<sup>9</sup> This competition war to attract highly mobile foreign capital able to switch production easily between countries leads to a 'race to the bottom' with respect to fiscality, environment and labour standards.

Another feature of this evolution is the 'feminisation of labour' as the empirical evidence shows an unprecedented increase in the numbers of women workers in the formal and informal labour force linked to global production spheres and this special group is hardest hit by flexibilisation and casualisation in order to keep wages and labour costs down and productivity up.

In addition the increase in part-time employment has gone hand in hand with increases in multiple jobs holding particularly for women. In the 1980s in Canada there was an 89% increase in female and a 28% increase in male multiple-job holders. This is a clear sign of a global trend towards informalisation of labour, lowering of wages and increasing unemployment as the most prominent outcomes of neo-liberal globalisation.

The empirical evidence for this claim is also documented in table 1 which shows that, “the world work force continues its upward climb. The ILOs findings indicate that the differentials between the world’s labour force by income and regional groups are widening. Percentage share of the high income group is expected to dive from 21% to 11 %; that of the low income group to spurt from 52% to 61%” (Clairmont 1996: 345).

Since the 1970s, labour markets in Europe and North America have been characterised by high unemployment rates. New technologies encourage decentralised production. Increasingly, jobs are out-sourced and sub-contracted as companies seek greater flexibility and lower costs. Decentralised processes also enable firms to marginalise trade unions and neutralise labour conflicts. While globalisation did not create flexible work, it does contribute to its trajectory through market-based networks that promote a diversity of contractual arrangements between capital and labour. The numbers of full-time, career-seeking and long-term employees have fallen (Morris 2003: 7).

Table 1: **Growth of World Labour Force (1965-2025)**

| Income Groups | Millions of Workers |                 |                 | Annual Compound<br>Growth rates |
|---------------|---------------------|-----------------|-----------------|---------------------------------|
|               | 1965                | 1995            | 20025           | (1965-2025)                     |
| World         | 1,329<br>(100)a     | 2,476<br>(100)a | 3,656<br>(100)a | 1.7                             |
| High          | 271<br>(21)         | 382<br>(15)     | 395<br>(11)     | 0.7                             |
| Middle        | 363<br>(27)         | 658<br>(27)     | 1,020<br>(28)   | 1.7                             |
| Low           | 694<br>(52)         | 1,436<br>(58)   | 2,241<br>(61)   | 2.0                             |

Source: International Labour Force (Cf. Clairmont 1996: 345)

a: Figures in brackets are percentages

As revealed from table 2 global unemployment stood at 185.2 million in 2004 adding more than 40 million without job in a decade which was supposed to have been the Golden Years of neo-liberal globalisation (ILO 2005: 1).

Table 3 indicates that there are huge differences from the North to the South in terms of change in unemployment rate although Asia seems to differ from the

general trend of high unemployment. ILO figures show that of the more than 2.8 billion workers of the world half have wages below the US\$2 a day poverty line. Among these working poor, 535 million live with their families in extreme poverty on less than US\$1 a day (see also table 4) (ILO 2005: 2). One consequence has been a tremendous growth of informal and casual work. According to ILO, the urban informal economy was the primary job generator during the 1990s in Latin America. In Africa, the informal economy generated more than 90 per cent of all new jobs in the region in the 1990s.

Table 2: **Unemployment in the world, 1994, 1999, 2001-2004 (millions)**

| Year   | 1994  | 1999  | 2001  | 2002  | 2003  | 2004  |
|--------|-------|-------|-------|-------|-------|-------|
| Total  | 140.3 | 170.3 | 174.3 | 180.9 | 185.2 | 184.7 |
| Male   | 82.8  | 99.5  | 102.8 | 107.0 | 110.0 | 109.7 |
| Female | 57.5  | 70.9  | 71.5  | 73.8  | 75.2  | 75.1  |

Main source: ILO, Global Employment Trends Model, 2005.

Table 3: **Labour Market Indicators**

| Region                                      | Change in unemployment rate (percentage point) | Unemployment rate (%) |      |      | GDP growth rate (%) |      |      | Employment-to-population ratio (%) |      | Annual labour force growth rate (%) | Annual GDP growth rate (%) |
|---|--|-----------------------|------|------|---------------------|------|------|------------------------------------|------|-------------------------------------|----------------------------|
|   | 1999-2004                                      | 1994                  | 2003 | 2004 | 2003                | 2004 | 2005 | 1994                               | 2004 | 1994-2004                           | 1994-2004                  |
| World                                       | 0.0  | 5.5                   | 6.3  | 6.1  | 3.9                 | 5.0  | 4.3  | 62.4                               | 61.8 | 1.6                                 | 4.1                        |
| Developed Economies and European Union      | 0.2  | 8.2                   | 7.4  | 7.2  | 2.1                 | 3.5  | 2.9  | 55.9                               | 56.8 | 0.6                                 | 2.7                        |
| Central and Eastern Europe (non-EU) and CIS | -1.9   | 6.5                   | 8.4  | 8.3  | 7.0                 | 7.4  | 6.1  | 56.5                               | 51.6 | -0.1                                | 1.6                        |
| East Asia                                   | -0.2   | 2.5                   | 3.3  | 3.3  | 7.9                 | 8.3  | 6.8  | 78.2                               | 76.4 | 1.3                                 | 8.1                        |
| South East Asia and the Pacific             | 0.8  | 4.1                   | 6.5  | 6.4  | 4.8                 | 5.7  | 5.3  | 66.8                               | 66.7 | 2.4                                 | 4.3                        |
| South Asia                                  | 0.8  | 4.0                   | 4.8  | 4.7  | 6.9                 | 6.3  | 6.5  | 56.2                               | 56.1 | 2.2                                 | 5.8                        |
| Latin America and the Caribbean             | -0.9   | 7.0                   | 9.3  | 8.6  | 1.8                 | 4.6  | 3.6  | 55.6                               | 56.0 | 2.1                                 | 2.7                        |
| Middle East and North Africa                | -0.2   | 12.4                  | 11.7 | 11.7 | 5.9                 | 4.8  | 4.6  | 43.9                               | 47.3 | 3.4                                 | 4.0                        |
| Sub-Saharan Africa                          | 0.3  | 9.8                   | 10.0 | 10.1 | 3.5                 | 4.4  | 5.6  | 65.5                               | 65.6 | 2.7                                 | 3.3                        |

Main source: ILO, Global Employment Trends Model, 2005.

Table 4: Global working poverty 1994 to 2004

| Year | \$1 WP Estimate<br>(in millions) | Share of \$1 WP<br>in Global Employment | \$2 WP Estimate<br>(in millions) | Share of \$2 WP in<br>Global Employment |
|------|----------------------------------|---|----------------------------------|---|
| 1994 | 611                              | 25.3%                                   | 1'325                            | 54.9%                                   |
| 1995 | 621                              | 25.4%                                   | 1'300                            | 53.2%                                   |
| 1996 | 551                              | 22.2%                                   | 1'289                            | 51.9%                                   |
| 1997 | 569                              | 22.5%                                   | 1'299                            | 51.3%                                   |
| 1998 | 581                              | 22.6%                                   | 1'338                            | 52.1%                                   |
| 1999 | 569                              | 21.8%                                   | 1'368                            | 52.4%                                   |
| 2000 | 561                              | 21.1%                                   | 1'364                            | 51.3%                                   |
| 2001 | 563                              | 20.8%                                   | 1'372                            | 50.8%                                   |
| 2002 | 561                              | 20.4%                                   | 1'382                            | 50.4%                                   |
| 2003 | 550                              | 19.7%                                   | 1'387                            | 49.7%                                   |
| 2004 | 535                              | 18.8%                                   | 1'382                            | 48.7%                                   |

Source: Kapsos, S, "Estimating growth requirements for reducing working poverty: Can the world halve working poverty by 1015" Employment Strategy Paper no. 2004/14 (Geneva, 2004).

In the last 25 years in Europe and North America there has been a rise in non-traditional work arrangements i.e. increases in the proportion of the labour force employed part-time, in shift work, self-employment, and in the proportion of workers holding multiple jobs and casual/temporary jobs. These non-traditional labour arrangements are also evident throughout the economies of most developing nations, but "... half the planet's labour force (1995) live in poor countries where per capita income is below \$700. These are official numbers that deliberately circumvent the quasi-slave labour of tens of millions of children that are deliberately unrecorded as in Bangladesh and Pakistan - votaries of the Free World" (Clairmont 1996: 345). Today, it is evident that of the over 2.8 billion workers in the world, nearly half still do not earn enough to lift themselves and their families above the US\$2 a day poverty line. Among these working poor, 535 million live with their families in extreme poverty on less than US\$1 a day (ILO 2005: 2). This is also illustrated by the growing inequalities between the North and the South: "The income gap between the fifth of the world's people living in the richest countries and the fifth in the poorest was 74 to 1 in 1997, up from 60 to 1 in 1990 and 30 to 1 in 1960" (UNDP 1999: 3).

Nevertheless, it is not possible to conceive of globalisation as a one-way, inexorable path towards economic integration and a global labour market. Economic forces do not autonomously impact "institutions and markets in an unmediated fashion, abstracted from the social and political setting in which they are embedded. Indeed, uneven development of globalisation is to be expected and whether there is levelling up or down in specific regional integration exercises, for example, will depend on the balance of social and political forces involved" (Munck 2004: 4). What this implies is the fact that, the size of the economy matters as well as the strength of the state and the ability of working classes and national

economic forces to resist external and domestic policies of neo-liberal globalisation.

This seems to imply that there are differences between North and South as well as important variations between how big and small economies and their concomitant state-society complexes are configured in their ability to develop pro-active as well as re-active responses to the challenges from neo-liberal globalisation.

### **From flexicurity to insecurity in the North**

The most dramatic change in labour markets as an effect of globalisation has been the growth of insecurity understood as fear of job loss. “One concept which has become increasingly popular among policy-makers is ‘employability’: the argument is that individuals can no longer anticipate unbroken employment within a single organisation but can avoid labour market vulnerability by acquiring valued competences, including adaptability itself. This is the basis on which the European Commission (1997) envisages a ‘balance’ between flexibility and security” (Hyman 2004: 25; also EU Commission 1997 cf Hyman). This is denoted by the term ‘flexicurity’.

The idea about flexicurity is derived from the Dutch labour market debate and has become the new overall policy of the European Union in its attempt to distance itself from the US. It can be defined as: “a policy strategy that attempts, synchronically and in a deliberate way, to enhance the flexibility of labour markets, the work organisation and labour relations on the one hand, and to enhance security – employment security and social security – notably for weaker groups in and outside the labour market on the other hand” (Wilthagen and Rogowski, 2002: 250). This cause has been relatively successful in the Scandinavian economies and to some degree in the Netherlands. In the rest of the EU it has not achieved the same success because of a variety of reasons such as emphasis on Fordist or industrial types of flexibility and income security.

By blaming the victims this rhetoric in fact, is no more than a means of individualising the problem of unemployment and deficient job opportunities and scapegoating the unemployed for their own marginalisation; or as Lowe (1998: 248) puts it, “the concept of ‘life-long learning’ is shifting the onus of human resource development onto the individual”.

A purely supply-side labour market policy aimed at increasing individual “employability” is likely to result primarily in a more qualified cohort of unemployed; a frustrating mismatch between enhanced skills and the limited skill content of available jobs (particularly in the expanding service sector); and perhaps also in a demographic shift in the structure of employment and unemployment. However, the concept of employability is in principle one which can be made appealing to trade union policy. This would imply the coordination and integration of demands which unions have indeed often embraced: first, for enhanced individual entitlements to education and training, and for flexible opportunities to benefit from these throughout the working life of individuals; second, for more effective (and worker-oriented) provision both by employers and by education and training institutions; third, for demand-side policies to encourage employment growth and, no less importantly, to provide appropriate employment opportunities for “up-skilled” workers. As Lowe argues (1998: 249), “job quality could be a basis for collective action, especially among well-educated young workers whose expectations are still high”.

The policy strategy of flexicurity thus has limited relevance in small parts of Europe only. In particular because the social wage is being eroded everywhere and regular employment is increasingly treated as a luxury that cannot be afforded.

Turning to the U.S., “.... real wages are below their level of 1973...” (Bienefeld 2000:48). Estimates from 2001 showed that one-third of all US workers are identified as contingent workers and this appear to be a conservative estimate (Parker 2002: 109). Conventional fixed term employment, in manufacturing and services, is being swiftly replaced by part-time, low paid, non-unionised labour. In the USA, unionised labour in manufacturing fell from 42% in 1950 to less than 14% in 1994 (Clairmont 1996: 45). The empirical evidence shows that employers have increasingly turned to contingent workers to smash unions, cut labour costs, gain greater control over the labour process, and increase their profits as was done in earlier phases of industrial capitalism.

Since the 1980s labour markets in the US have been characterised by falling wages and growing inequalities while Europe has been cast in a high structural long-term unemployment, both for the lowest deciles of the labour market (Cuyvers and Glenn Rayp 2001). These trends have emerged as a result of the transfer of production and manufacturing to low-wage countries like India, China, Brazil and Third World countries. There has been a proportionate decline in the US

manufacturing workforce with dramatic impacts for the de-industrialisation of the US war economy and increasing unemployment in the goods-producing and manufacturing sectors. The “lucky” laid-off workers have been able to obtain employment in the low-paid service sector which increased, relative to the total labour force, from 66.7 percent in 1970 to 80.5 percent in 2000 (Berberoglu 2003: 101).

What we are witnessing is jobless growth in the North (US, Japan and Europe) that is economic growth rates with growing unemployment. With the predominance of financial capital and a permanent stage of surplus production the manufacturing sector cannot find new outlets for its production. “Only a minute fraction of all industrial jobs were generated within the TNC manufacturing sector, a job sector that is being rapidly degutted. Over the past decade, the world’s Top 500 corporations shed over 400,000 workers yearly. There are no signs of a turning point as any casual perusal of the financial press would confirm. Job exterminism continues to move in concert with TNC expansion” (Clairmont 1996: 45).

It seems that the European model of social capitalism increasingly is converging with the American model of market fundamentalism. Proponents of the neo-liberal discourse claim that in the long run the benefits of globalisation will eventually trickle down but unfortunately in the long run we are all dead, as Keynes said.

### **Deregulation, casualisation and informalisation of work in the South**

When discussing the situation in the Third World it is unavoidable to include the role of the IMF and the World Bank. The Fund attached more than fifty structural policy conditions to the typical three-year loan disbursed through its Extended Fund Facility in the 1990s and nine to fifteen structural conditions to its typical one-year standby arrangement. Their scale and scope were unlike anything in the institution’s prior history. The IMF moved into areas like corporate behaviour, accounting methods and principles, attacks on corruption, promotion of good governance etc. (Eichengreen & James 2003: 535). These interventions have had a huge impact on labour market policies in the developing countries and have been a direct cause for the increases in unemployment and informalisation of labour. This has lead the Bank to claim that: “Governments and workers are adjusting to a changing world. The legacy of the past can make change difficult or frightening.

Yet realization of a new world of work... is fundamentally a question of sound choices in the international and the domestic realm” (World Bank 1995: 11).

The aftermath of the East Asian crisis in 1997 offers an illustration of the ideological blindfold by the ‘Washington consensus’ when it contended that, “East Asian labour markets are fairly flexible, with fewer institutional or policy-driven rigidities than European or Latin American markets - minimum wage policies are limited, wage-setting practices are flexible, and wages and productivity growth are closely linked. As a result, fewer sharp contrasts existed between formal, privileged workers and rural, informal workers” (World Bank 1998 cf De Meyer 2001:161). The reality is that not only were the IMF and the World Bank responsible for the outset of the crisis by pressurising for the encouragement of speculative capital through account liberalisation from the constraints of previous regulation, but the draconian crisis management programs and conditionalities resulted in the ultimately negative growth rates and record unemployment rates in 1998, with “over 1 million people in Thailand and 21 million in Indonesia fell below the poverty line...” (Bello 2002: 66-67). When Asian governments were forced to accept financial relief coordinated by the IMF, Washington imposed conditions that clearly targeted ordinary workers. “A standard message was to increase labour market flexibility, and the not-so-subtle subtext was to lower wages and lay off workers,” as Stiglitz asserted. He also stressed that: “In East Asia, it was reckless lending by international banks and other financial institutions, combined with reckless borrowing by domestic financial institutions . . . which may have precipitated the crisis. But the costs, in terms of soaring unemployment and plummeting wages, were borne by the workers” (cf. Aslam 2000). Flexibility can be seen as a response to globalisation which increases competition but at the same time it is clear from the empirical evidence that in East Asia it has been accompanied by weakened trade unions and an authoritarian political system.

The same trends can be seen in China where the government is promoting a high-speed, export-led growth model highly dependent on foreign direct investment. China has become the largest recipient of FDI in the world, and the government has actively courted that investment with tax benefits, infrastructure, and highly repressive and exploitative labour conditions. TNCs now account for more than 45 percent share of industrial output, greater than the 30 percent share of state firms. This investment has been largely diverted from other peripheral countries, especially in East Asia, that had previously depended on it to power their own export growth. China's success in attracting FDI and exporting manufactures thus



poses a serious competitive threat to these other peripheral countries. It is tied, for example, to growing economic strains and instabilities in South Korea and Mexico (Hart-Landsberg and Burkett 2005). However, China is losing more manufacturing jobs than the United States. For the entire economy between 1995 and 2002, China lost 15 million manufacturing jobs, compared with 2 million in the US. The entrance of China as major exporter based on increasingly flexible labour-market policies has been accompanied by a tremendous growth in the informalisation of labour accompanied by petty crime, prostitution and menial labour. Urban joblessness, unheard of when the Maoist government provided cradle-to-grave employment, now averages around 8-9%, according to scholars at the Beijing-based Development Research Center (DRC), a government think tank. (The official rate, by contrast, is a rosy 3.6%.) Joblessness is much higher, perhaps 20%, in industrial rust belts that cut great swaths across the north, where outmoded, bankrupt factories are being shut down and communist-era work units eliminated at a breathtaking pace. Reliable numbers aren't available, but some estimate there are at least 19 million Chinese who are out of work; tens of millions more are unaccounted for by Labour Department statisticians.

The entrance of China as a major player has also had grave consequences for a country like Mexico where a similar situation as the one in East Asia can be observed. In the aftermath of the Peso crisis and buoyed by the North American Free Trade Agreement (NAFTA), Mexico in the 1990s was the bustling factory floor of the Americas. But since 2000, as China rose to assume that role, more than 270,000 Mexicans have lost assembly jobs, hundreds of factories have closed their doors, and Mexico's trade deficit with China has grown to more than \$5 billion. The ubiquitous "Made in China" stamp, found on everything from toys to textiles to statues of Our Lady of Guadalupe, has become the incarnation of the single greatest perceived threat to Mexico's economic prosperity and a symbol of the pitfalls of globalisation (Farrell, Puron and Remes 2005). China's rise to prominence in the global economy has also affected internal developments in the Third World.

The Asian, African and Latin American situations indicate a worsening in unemployment and labour market conditions. In addition, unemployment rates in many countries mask widespread underemployment. The working poor are largely invisible in official statistics. Billions of women and men do not have work that taps their individual creativity and utilises their productive potential. For the most part women's work remains undervalued and unaccounted for.

The formal economy provides positive gratifications for a minority working within it, while the informal sector for the majority provides precarious employment and insecure living conditions. As noted above, in the 'race to the bottom' perspective many nations have cut back social and employment-related benefit programs while corporations have been cutting back on pension, health and other social insurance benefits.

Human security - from public security to health - and food security, to education and shelter - is a real experience only for a minority in the developing countries. Informal structures and logics of individual as well as institutional and administrative action of citizen as well as of institutions and administrations are responsible for an increasing insecurity of peoples. Many of them are losing social security protection when they are excluded from the formal working place. Public security is diminishing due to the fiscal crises and then being privatised so that only the rich are able to buy security as a market commodity. The private supply on markets is only accessible for those who dispose monetary purchasing power, and for the great majority, informal provision of formerly public goods becomes a conditions of survival (Altvater 2005).

Globalisation is also related to the growing importance of the informal sector and organised crime in providing employment opportunities. In many cases informal work is a survival strategy. Restructuring of formal sector enterprises in market economies and state-owned enterprises in transition economies has resulted in a proliferation of activities in the informal economy. The proportion of urban employment in the parallel economy is about one-third in Asia and the Pacific, three-fifths in Africa and two-fifths in Latin America. The ILO estimates that large proportions of new jobs are being created in the informal economy. Workers in informal activities generally face greater insecurity and have less protection than other workers. The unfortunate result has been the social marginalisation of informal workers who are generally unrecognised, unrecorded, unorganised, unrepresented, unregulated, unregistered and unprotected.

Work in the informal economy is generally of low skill and low productivity; working conditions can be unsafe and unhealthy; and workers usually work long hours and receive low pay. Women tend to comprise between 60 and 80 per cent of total informal employment and are generally concentrated in a narrow range of

activities with lower-skill, lower-pay tasks (food processing, garment sewing and domestic services) (ILO 2005: 6).

Work in the informal economy is also characterised by low or irregular incomes, long working hours, small or undefined workplaces, unsafe and unhealthy working conditions, and lack of access to information, markets, finance, training and technology. While many workers in the informal economy are visible in jobs along the streets of cities, towns and villages in developing countries, others work out of view in shops and workshops. The least visible are those who produce goods from their homes.

The result is that while global per capita income tripled over the period 1960–94, there were over 100 countries in the 1990s with per capita incomes lower than in the 1980s, or in some cases, lower than in the 1970s and 1960s. This implies that the reliance on the growth of the informal sector and its concomitant illegal and criminal activities has an increasing impact on social and human security.

### **Concluding remarks on resistance and the need for alternatives**

It is quite clear that the prospects of achieving full employment have permanently receded. Unemployment has soured everywhere even in India and China, which might be considered the factory floors of the world economy at the present. It is also evident that it is not possible for all countries to pursue the strategy of flexicurity as it demands an embedded social compact between labour, employees and the state. The developmental state in East Asia is gone, again perhaps with the exception of China where a developmental state with “Chinese characteristics” has emerged. The nature of work has changed tremendously to a greater level of informalisation and the reliance on casual labour has increased in both South and North. Indeed we can observe a trend towards Thirdworldisation of labour markets in the North, especially in the United States.

In a more strategic perspective this implies that capital has gone global while labour organisation remains national. One reason is that trade unionism is no longer a struggle with capital but a trench war against the tax-payer probably because the public sector is easier terrain for trade union recruitment and the concomitant difficulties to organise workers in trade unions exposed to globalisation. Also in Eastern Europe, South Africa, India and Brazil organised

trade unionism has become weaker, divided, and reduced to confrontational politics (MacShane 2004; Munck 2004), but with important exceptions.

As Bienefeld notes “competitive market forces are amoral, unsentimental and enormously powerful. In arms length markets, goods and services compete without reference to the social or human conditions of their production. In the process, they become commodities; socially disengaged use values. And, when their appearance and their performance characteristics (their “use values”) are equivalent, the cheapest ones survive. The question of whether the lowest price was made possible by superior organization, by better technology or by the intense exploitation of labour is of no concern to the market, unless people, acting through a political process, make it so” (2000: 46-47). Work force growth and TNCs labour demolition strategies, “to remain internationally competitive” to use their pedestrian refurbished rationalisation, will augment joblessness with further soaring inequalities as their concomitant (Clairmont 1996: 346).

The issue is what Ankie Hoogvelt (1997: 113) convincingly argues that there is a historical trend towards forms of production organisation in which capital no longer needs to pay for the reproduction of labour power. At the same time, participation in the global marketplace means that the domestic market is no longer needed to serve the self-expansion of capital. Jobless growth is what the present phase of capitalism is all about. “It is this process of globalization rather than any claimed imbalance in the national accounts between public and private sector growth (the fiscal deficit), nor any demographic imbalance (the greying population) that is the main reason for the perceived need to shed and restructure the welfare state which has become the dominant political project in all advanced countries since the 1980s” (Hoogvelt *ibid*). Coupled with the fact that there is a ‘race to the bottom’ in terms of job flight and a competition of lowering standards, regulations and laws it is interesting to see the responses from labour in the North which in most cases have relied on a defensive and sometimes protectionist strategy. As mentioned at a recent conference for East Asian union leaders hosted by the AFL-CIO: “As soon as we start to organize a union, the company threatens to move to Vietnam,” and it was an unanimous view at the conference that international regulations are needed to keep companies from moving to low-wage economies (Los Angeles Times February 22, 1998).

The question is what types of resistance are reliable and which are unsustainable in both a short-term and longer term perspective.

Ellen Meiksins Woods criticises those anti-capitalists who focus on TNCs and international agencies. She points out that many of the arguments used against these organisations are not anti-capitalist, but anti-global. The real issue is that, globalisation is a consequence of capitalism, not a cause of exploitation. Instead Wood forcefully argues that nation states are still the most reliable guarantors of capital accumulation, and therefore states should remain the focus of opposition movements. She is correct when she argues that: “While we can imagine capital continuing its daily operations with barely a hiccup if the WTO were destroyed, it is inconceivable that those operations would long survive the destruction of the local state.” And “...capitalism whether national or global, is driven by certain systemic imperatives of competition, profit maximization and accumulation, which inevitably require putting ‘exchange values’ above ‘use values’ and profit above people.” The point is that, the capitalist state has always performed a very important function: “controlling the mobility of labour, while preserving capital’s freedom of movement” (Wood 2003: 134, 131, 133).

Globalisation can not create prosperity for all only the illusion of it. Globalisation per se is not a new phenomenon but rather a rhetoric invoked by governments in the North in order to justify their voluntary surrender to the financial markets.... “far from being — as we are constantly told--- the inevitable result of the growth of foreign trade, deindustrialization, growing inequality and the retrenchment of social policies are the result of domestic political decisions that reflect the tipping of the balance of class forces in favour of the owners of capital.” (Bourdieu and Wacquant 2001; Hersh 2004). This is why, there are increasing signs of popular and workers organised resistance against the impact of globalisation and also why even the global pundit among newspapers International Herald Tribune foresaw “...a revolt against the idea that labour, rather than investors or management, should pay the cost of corporate globalization” (Pfaff 1997).

It is not a coincidence that the most outspoken and militant movements against globalization to some degree are strong and well-organised in the semi-peripheral catching-up economies such as South Africa, South Korea and Brazil. One of the key conditionalities from the IFIs including the OECD is that these countries must have more flexible labour markets - which usually denote labour forces that are ill-paid and docile, but this discourse has been met with fierce resistance though with mixed results.

In post-apartheid South Africa, ANC has embraced neo-liberal policies to such a degree that the trade union movement had to develop a strategy of how to cope with the various impacts of globalisation in the labour market. This has been done through various confrontations with TNCs, and by mobilising support from international labour networks (Southall and Bezuidenhout 2004: 144). Since 1994, neo-liberal economic policies have massively increased job losses and generated a widening gap between white and black, and rich and poor. "The share of the poorest two-thirds in the country has dropped about 15 percent. The average income of African households fell around 19 percent while the average white household rose 15 percent. Unemployment doubled - South Africa now has around eight million unemployed" (Coetze (2004: 103). This is equal to 40 percent of the workforce - a number which unions call the 'jobs bloodbath'.

In Latin America labour and social movement's number of protests and conflicts against the 'Washington Consensus' and local government's implementation of neo-liberal policies increased from 2000-2002 over the first annual period by 180 percent and by 11 percent for the second. "This deepening of social conflict was the expression of a double crisis challenging the neo-liberal regime: economic crisis, caused by a recession that appeared to be spreading at both regional and international level; and a crisis of legitimacy that it seemed to have imposed successfully in the first half of the decade" (Algranati, Seoane and Taddei 2004: 112). The deepening of the recession and economic instability has dealt a severe blow to the political and ideological legitimacy neo-liberalism has enjoyed in previous decades. In Brazil, the new government of President Lula which was elected in 2003 launched a provisional reform which triggered the first national-level labour conflict. Some 400,000 state employees participated in a strike convened by the CUT. In the end, the strike led to a debate inside the Workers Party and various social movements about the direction of a government elected to redistribute wealth and benefit the most oppressed social sectors in Brazil (Algranati, Seoane and Taddei 2004: 128).

What these examples show, in a Polanyian double-movement perspective, is that the will and strength of workers organisation to increase their share in company profits and the aim to confront the state toward re-collectivisation of social welfare and redistributive policies is one possible outcome. There are other signs, in Europe for instance, where a strong leftist movement in France voted against the neo-liberal EU constitution. Another possible outcome, on a more pessimistic note,

is a return to more authoritarian forms of labour market regulation as a natural outcome of neo-liberal globalisation.

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## Endnotes

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<sup>1</sup> Paper to be presented at the XXV Congreso De La Asociación Latinoamericana De Sociologia, “Desarrollo, Crisis Y Democracia en America Latina: Participación, Movimientos Sociales Y Teoría Sociológica”, 22-26 August, 2005 in Porto Alegre, Brazil.

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<sup>3</sup> Grundrisse, 1973, Penguin, New York, pp. 273.

<sup>4</sup> Neo-liberalism emerged out of an “unholy alliance” between neoclassical economics, which provided most of the analytical tools, and what may be called the Austrian-Libertarian tradition, which provided the underlying political and moral philosophy. It is an “unholy alliance”, because the gap between these two intellectual traditions is not a minor one, as those who are familiar with, for example, Hayek’s scathing criticism of neoclassical economics would know (See Chan 2001: 1). It is also interesting to note that it was in a Latin American economy, Chile it was implemented the first time under the dictatorship of Augusto Pinochet.

<sup>5</sup> This hegemony is closely related to the launch of other imperatives and co-optations of words such as “the end of conflict”, “the end of Class struggle”, “the end of ideology”, “partnership”, “stakeholders” and so on. Gosovic (2000).

<sup>6</sup> For this and the following, see Harvey (2000).

<sup>7</sup> For this and the following, see Amoore (2002).

<sup>8</sup> The term ‘race to the bottom’ reflects the notion that global economic competition encourages deregulation. This causes the state to lose its redistribution role and its capacity to offer services to citizens, since taxation revenues would decline. In short, the governments with the lowest standards and income taxes would emerge as the winners, since they would be the ones attracting companies to set up operations in their territory, see Brawley (2003: 59).

<sup>9</sup> For this and the following, see Morris (2003).

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